

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	ADRIAN	County	LENAWEE	Type	TOWNSHIP	MuniCode	46-1-010
Opinion Date-Use Calendar	Jun 18, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 749,835.00
General Fund Expenditure:	\$ 622,241.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,070,660.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	PHILIP	Last Name	RUBLEY	Ten Digit License Number			1101009223
CPA Street Address	133 W MAIN STREET	City	MORENCI	State	MI	Zip Code	49256
CPA Firm Name	PHILIP R RUBLEY, CPA	Unit's Street Address	2907 TIPTON HWY	City	ADRIAN	LU Zip	49221

**ADRIAN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2007**

**ADRIAN TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007**

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PHILIP R. RUBLEY

— Certified Public Accountant —

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

June 18, 2008

Township Board
Adrian Township
Lenawee County
2907 Tipton Hwy.
Adrian, MI 49221

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Adrian Township as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Adrian Township management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

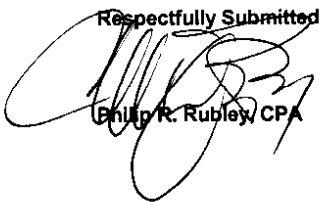
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Adrian Township as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Adrian Township basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Adrian Township
June 18, 2008

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

Philip R. Rubley, CPA

PRR/cab

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Adrian Township government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 4 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, police fund and fire fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general, police, fire and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The Township maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township has one enterprise fund to account for sewer and water activity.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, recreation and culture and community development.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories; governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Township has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

The Township As A Whole

The Township's overall net assets for the year ended December 31, 2007 (decreased) by (2.15%) over the prior year, and management feels that even though the economic conditions have been slightly depressed, that the Township was fiscally sound.

The governmental activities reflect net assets of \$2,148,987 an increase of 4.12%.

By far the largest portion of the Township's net assets (62.75%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding, currently the Township has no debt. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Government Activities

Government activities increased the Township's net assets by \$84,990.

The Township's Funds

Our analysis of the Township's funds begins on Page 8, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Trustee Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

General Fund Budgetary Highlights

There were differences between the original budget and amended budget. Actual results in revenue were lower then budgeted, and expenses were significantly higher then budgeted numbers.

Capital Assets And Debt Administration

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounted to \$6,997,293 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current year was \$134,976.

Economic Factors And Next Year's Budget And Rates

The Township's budget for 2008 year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Townships Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 2907 Tipton Hwy., Adrian, Michigan 49221.

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

ADRIAN TOWNSHIP NET ASSETS		
<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>
<u>Revenue</u>		
Program Revenue:		
Charges for Services	\$ 267,996	\$ 225,318
Operating Grants and Contributions	7,635	26,668
General Revenue:		
Property Taxes	445,987	406,450
Grants and Contributions Not		
Restricted To Specific Program	322,740	394,084
Interest and Rentals Earnings	37,384	31,406
(Loss) on Sale of Fixed Assets	(7,150)	---
Total Revenue	<u>1,074,592</u>	<u>1,083,926</u>
<u>Expenses</u>		
General Government	203,057	223,317
Public Safety	470,209	560,537
Public Works	193,623	262,300
Community and Economic Development	6,804	5,184
Recreation and Culture	30	30
Other Functions	115,879	88,857
Total Expenses	<u>989,602</u>	<u>1,140,225</u>
Increase (Decrease) in Net Assets	84,990	(56,299)
Net Assets Beginning of Year	<u>2,063,997</u>	<u>2,120,296</u>
Net Assets End of Year	<u>\$2,148,987</u>	<u>\$2,063,997</u>
<u>Assets</u>		
Current and Other Assets	\$1,197,512	\$1,156,148
Capital Assets	962,840	916,030
Total Assets	<u>\$2,160,352</u>	<u>\$2,072,178</u>
<u>Liabilities</u>		
Other Liabilities	\$ 11,365	\$ 8,181
Total Liabilities	<u>11,365</u>	<u>8,181</u>
<u>Net Assets</u>		
Invested in Capital Assets,	962,840	916,030
Net of Related Debt		
Unrestricted	<u>1,186,147</u>	<u>1,147,967</u>
Total Net Assets	<u>\$2,148,987</u>	<u>\$2,063,997</u>

ADRIAN TOWNSHIP
Management's Discussion and Analysis
December 31, 2007

ADRIAN TOWNSHIP NET ASSETS		
	<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>
<u>Revenue</u>		
Program Revenue:		
Charges for Services	\$ 474,684	\$ 474,209
Special Assessments	22,652	95,022
General Revenue:		
Interest and Rentals Earnings	<u>117,083</u>	<u>101,394</u>
Total Revenue	<u>614,419</u>	<u>670,625</u>
<u>Expenses</u>		
Public Works	944,636	788,607
Interest on Long-Term Debt	<u>---</u>	<u>20,000</u>
Total Expenses	<u>944,636</u>	<u>808,607</u>
(Decrease) in Net Assets	(330,217)	(137,982)
Net Assets Beginning of Year	<u>9,332,008</u>	<u>9,469,990</u>
Net Assets End of Year	<u>\$9,001,791</u>	<u>\$9,332,008</u>
<u>Assets</u>		
Current and Other Assets	\$2,979,878	\$3,121,853
Capital Assets	<u>6,034,453</u>	<u>6,222,695</u>
Total Assets	<u>\$9,014,331</u>	<u>\$9,344,548</u>
<u>Liabilities</u>		
Other Liabilities	\$ 12,540	\$ 12,540
Total Liabilities	<u>12,540</u>	<u>12,540</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	6,034,453	6,222,695
Unrestricted	<u>2,967,338</u>	<u>3,109,313</u>
Total Net Assets	<u>\$9,001,791</u>	<u>\$9,332,008</u>

ADRIAN TOWNSHIP
Government-wide Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Equivalents	\$ 785,872	\$2,645,240	\$ 3,431,112
Receivables - Net	218,080	293,035	511,115
Prepaid Items and Other Assets	200,513	34,650	235,163
Internal Balances	(6,953)	6,953	---
Capital Assets Not Being Depreciated	36,593	96,099	132,692
Capital Assets Being Depreciated - Net	<u>926,247</u>	<u>5,938,354</u>	<u>6,864,601</u>
Total Assets	<u>\$2,160,352</u>	<u>\$9,014,331</u>	<u>\$11,174,683</u>
 <u>Liabilities</u>			
Accounts Payable and Accrued Expenses	\$ 11,365	\$ 12,540	\$ 23,905
Total Liabilities	<u>11,365</u>	<u>12,540</u>	<u>23,905</u>
 <u>Net Assets</u>			
Invested In Capital Assets	962,840	6,034,453	6,997,293
Unrestricted	<u>1,186,147</u>	<u>2,967,338</u>	<u>4,153,485</u>
Total Net Assets	<u>\$2,148,987</u>	<u>\$9,001,791</u>	<u>\$11,150,778</u>

The notes to financial statements are an integral part of this statement.

Page 8

ADRIAN TOWNSHIP
Government-wide Statement of Activities
For The Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<u>Governmental Activities:</u>					
General Government	\$ 203,057	\$137,637	\$ ---	\$ ---	\$ (65,420)
Public Safety	470,209	130,359	2,761	---	(337,089)
Public Works	193,623	---	4,874	---	(188,749)
Community and Economic Development	6,804	---	---	---	(6,804)
Recreation and Culture	30	---	---	---	(30)
Other Functions	115,879	---	---	---	(115,879)
Total Governmental Activities	<u>989,602</u>	<u>267,996</u>	<u>7,635</u>	<u>---</u>	<u>(713,971)</u>
<u>Business-Type Activities:</u>					
Utilities	944,636	474,684	---	---	(469,952)
Total Business-Type Activities	<u>944,636</u>	<u>474,684</u>	<u>---</u>	<u>---</u>	<u>(469,952)</u>
Total	<u>\$1,934,238</u>	<u>\$742,680</u>	<u>\$ 7,635</u>	<u>\$ ---</u>	<u>\$(1,183,923)</u>

The notes to financial statements are an integral part of this statement.

ADRIAN TOWNSHIP
Government-wide Statement Of Activities (Concluded)
For The Year Ended December 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Changes In Net Assets</u>			
Net (Expense) Revenue	\$ (713,971)	\$ (469,952)	\$ (1,183,923)
General Revenues:			
Property Taxes and Assessments	445,987	22,652	468,639
Grants and Contributions			
Not Restricted To			
Specific Programs	322,740	---	322,740
Unrestricted Investment			
Earnings and Rentals	37,384	117,083	154,467
(Loss) on Sale of Fixed Assets	<u>(7,150)</u>	<u>---</u>	<u>(7,150)</u>
Total General Revenues, Contributions and Transfers	<u>798,961</u>	<u>139,735</u>	<u>938,696</u>
 Change In Net Assets (Decrease)	 84,990	 (330,217)	 (245,227)
Net Assets, Beginning of Year	<u>2,063,997</u>	<u>9,332,008</u>	<u>11,396,005</u>
Net Assets, End of Year	<u>\$2,148,987</u>	<u>\$9,001,791</u>	<u>\$11,150,778</u>

The notes to financial statements are an integral part of this statement.

**ADRIAN TOWNSHIP
Governmental Funds
Balance Sheet
December 31, 2007**

	General Fund	Fire Fund	Police Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 744,596	\$ 23,730	\$ 13,201	\$ 4,345	\$ 785,872
Prepaid Expenses	12,699	---	845	---	13,544
Receivables - Net	103,533	52,804	54,657	7,086	218,080
Due From Other Funds	<u>298,566</u>	<u>47,601</u>	<u>52,409</u>	<u>6,330</u>	<u>404,906</u>
Total Assets	<u>\$1,159,394</u>	<u>\$124,135</u>	<u>\$121,112</u>	<u>\$17,761</u>	<u>\$1,422,402</u>
<u>LIABILITIES</u>					
Accounts Payable/ Accrued Liabilities	\$ 4,021	\$ 4,096	\$ 680	\$ 2,568	\$ 11,365
Due to Other Funds	75,700	92,585	47,723	8,882	224,890
Deferred Revenue	<u>9,013</u>	<u>597</u>	<u>838</u>	<u>---</u>	<u>10,448</u>
Total Liabilities	<u>88,734</u>	<u>97,278</u>	<u>49,241</u>	<u>11,450</u>	<u>246,703</u>
<u>FUND BALANCES</u>					
Unreserved	<u>1,070,660</u>	<u>26,857</u>	<u>71,871</u>	<u>6,311</u>	<u>1,175,699</u>
Total Fund Balances	<u>1,070,660</u>	<u>26,857</u>	<u>71,871</u>	<u>6,311</u>	<u>1,175,699</u>
Total Liabilities and Fund Balances	<u>\$1,159,394</u>	<u>\$124,135</u>	<u>\$121,112</u>	<u>\$17,761</u>	<u>\$1,422,402</u>

The notes to financial statements are an integral part of this statement.

ADRIAN TOWNSHIP
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
December 31, 2007

Fund Balances – Total Governmental Funds \$1,175,699

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds.

Add: Capital Assets 1,487,436

Deduct: Accumulated Depreciation (524,596)

Revenue that has been billed as a receivable, but not
collected until later years, was not reported in the funds.

Add: Deferred Revenue 10,448

Net Assets of Governmental Activities \$2,148,987

ADRIAN TOWNSHIP
Governmental Funds
Statement of Revenue, Expenditures, and Changes In Fund Balances
For The Year Ended December 31, 2007

	General Fund	Fire Fund	Police Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Taxes and Assessments	\$ 202,371	\$110,129	\$112,202	\$15,518	\$ 440,220
Intergovernmental	322,740	---	---	---	322,740
Grants	---	20	2,241	---	2,261
Fines and Forfeitures	---	---	18,866	---	18,866
Licenses and Permits	45,751	---	---	---	45,751
Charges for Services	53,276	59,776	307	---	113,359
Interest and Rentals	33,862	2,389	987	146	37,384
Other	6,245	6,527	2,931	---	15,703
Contributions	---	500	---	---	500
Franchise Fee	80,716	---	---	---	80,716
Metro Right of Way	4,874	---	---	---	4,874
Total Revenue	749,835	179,341	137,534	15,664	1,082,374
<u>EXPENDITURES</u>					
Current:					
General Government	200,584	---	---	---	200,584
Public Safety	51,883	197,952	144,803	---	394,638
Public Works	176,287	---	---	16,994	193,281
Community Economic Development	6,804	---	---	---	6,804
Capital Outlay	10,804	74,234	49,938	---	134,976
Other Functions	115,879	---	---	---	115,879
Total Expenditures	562,241	272,186	194,741	16,994	1,046,162
Excess of Revenue Over (Under) Expenditures	187,594	(92,845)	(57,207)	(1,330)	36,212
<u>Other Financing Sources (Uses)</u>					
Transfers In	---	---	60,000	---	60,000
Transfers (Out)	(60,000)	---	---	---	(60,000)
Total Other Financing Sources (Uses)	(60,000)	---	60,000	---	---
Net Change In Fund Balances	127,594	(92,845)	2,793	(1,330)	36,212
Fund Balances – Beginning of Year	943,066	119,702	69,078	7,641	1,139,487
Fund Balances – End of Year	\$1,070,660	\$ 26,857	\$ 71,871	\$ 6,311	\$1,175,699

The notes to financial statements are an integral part of this statement.

ADRIAN TOWNSHIP
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
December 31, 2007

Net Change In Fund Balances – Total Governmental Funds \$ 36,212

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add:	Capital Outlay	134,976
Deduct:	Depreciation Expense	(78,416)
(Less):	Net Book Value of Assets Sold	(9,750)

Revenue deferred on the governmental funds report, which has been charged to receivable and thus income on the statement of activities.

Add:	Deferred Revenue other adjustments	<u>1,968</u>
-------------	------------------------------------	--------------

Change In Net Assets Of Governmental Activities \$ 84,990

ADRIAN TOWNSHIP
Statement of Net Assets
Proprietary Funds
December 31, 2007

	Business-Type Activities - Enterprise Funds
	<u>Utilities Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$2,645,240
Accounts Receivable	68,997
Special Assessments Receivable	35,521
Interest Receivable	8,577
Due From Other Funds	40,712
Prepaid Expenses	<u>1,088</u>
Total Current Assets	<u>2,800,135</u>
Restricted Assets:	
Special Assessment Receivable - Long Term	<u>179,940</u>
Total Restricted Assets	<u>179,940</u>
Noncurrent Assets:	
Property and Equipment - Net	<u>6,034,453</u>
Total Noncurrent Assets	<u>6,034,453</u>
Total Assets	<u>\$9,014,528</u>
Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 12,540
Due to Other Funds	<u>197</u>
Total Current Liabilities	<u>12,737</u>
Net Assets	
Invested in Capital Assets	6,034,453
Unrestricted	<u>2,967,338</u>
Total Net Assets	<u>9,001,791</u>
Net Assets of Business-Type Activities on the Government-Wide Statement of Net Assets	<u>\$9,014,528</u>

The accompanying notes are an integral part of this financial statement.

ADRIAN TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended December 31, 2007

	Business-Type Activities - Enterprise Funds
	<u>Utilities Fund</u>
Operating Revenues	
Charges for Services	\$ 474,679
Special Assessments	22,652
Miscellaneous Revenue	5
Total Operating Revenues	<u>497,336</u>
Operating Expenses	
Salaries and Wages	13,021
Fringe Benefits	996
Supplies	2,045
Services	646,644
Professional Services	10,637
Repairs and Maintenance	20,810
Depreciation	247,910
Insurance	2,573
Total Operating Expenses	<u>944,636</u>
Net Operating (Loss)	<u>(447,300)</u>
Non-Operating Revenues (Expenses)	
Investment Income	117,083
Interest Expense	---
Total Non-Operating Revenues (Expenses)	<u>117,083</u>
(Loss)	(330,217)
Net Assets, Beginning of Year	<u>9,332,008</u>
Net Assets, End of Year	<u>\$9,001,791</u>

The accompanying notes are an integral part of this financial statement.

ADRIAN TOWNSHIP
Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities
December 31, 2007

Change In Net Assets – All Enterprise Funds (Decrease)	\$ (330,217)
No additional adjustments	<u>---</u>
Change In Net Assets Of Business-Type Activities (Decrease)	<u>\$ (330,217)</u>

ADRIAN TOWNSHIP
Statement of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2007

	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Utilities Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 619,380
Cash Payment to Suppliers For Goods and Services/Employees	<u>(715,652)</u>
Net Cash Provided (Used)	<u>(96,272)</u>
 Cash Flows From Capital and Related Financing Activities	
Special Assessment Receivable	<u>38,154</u>
Net Cash (Used) by Capital and Related Financing Activities)	<u>38,154</u>
 Cash Flows From Investing Activities	
Investment Income	117,050
Purchase of Fixed Assets	<u>(59,668)</u>
Net Cash Provided (Used) by Investing Activities	<u>57,382</u>
 Net (Decrease) in Cash and Cash Equivalents	(736)
 Cash and Cash Equivalents, Beginning of Year	<u>2,645,976</u>
Cash and Cash Equivalents, End of Year	<u><u>\$2,645,240</u></u>
 Reconciliation to Statement of Net Assets	
Cash and Cash Equivalents	<u><u>\$2,645,240</u></u>

The accompanying notes are an integral part of this financial statement.

ADRIAN TOWNSHIP
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended December 31, 2007

	Business-Type Activities - Enterprise Funds
	<u>Utilities Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
(Loss)	\$ (330,217)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	247,910
Changes in Assets and Liabilities:	
Accounts Receivable	(50,087)
Other Current Assets	5,183
Accounts Payable, Accrued Liabilities, Bonds Current Portion	<u>151</u>
Net Cash Provided (Used) by Operating Activities	<u>(127,060)</u>
Cash Flows From Investing Activities:	
Purchase of Fixed Assets	<u>(59,668)</u>
Net Cash (Used) from Investing Activities	<u>(59,668)</u>
Cash Flows From Financing Activities:	
Special Assessment Receivable	<u>185,992</u>
Net Cash (Used) from Financing Activities	<u>185,992</u>
Net (Decrease) in Cash and Cash Equivalents	(736)
Cash and Cash Equivalents, Beginning of Year	<u>2,645,976</u>
Cash and Cash Equivalents, End of Year	<u>\$2,645,240</u>

The accompanying notes are an integral part of this financial statement.

ADRIAN TOWNSHIP
Fiduciary Funds – Statement of Net Assets
December 31, 2007

	Current Tax Collection Fund	Trust and Agency Fund
<u>Assets</u>		
Cash and Cash Equivalents	<u>\$944,743</u>	<u>\$6,793</u>
Total Assets	<u>\$944,743</u>	<u>\$6,793</u>
<u>Liabilities</u>		
Due to Other Funds	\$213,737	\$6,793
Other Payables	<u>731,006</u>	<u>---</u>
Total Liabilities	<u>\$944,743</u>	<u>\$6,793</u>

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Adrian Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Adrian Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is a special revenue fund that receives monies for contractual services and charges for the purpose of providing fire protection and Advanced and Basic Life Support Services to the community.

The Police Fund is a special revenue fund that receives monies through property tax millage and charges for services for the purpose of providing police protection to the community.

The government reports the following major proprietary fund:

The Utilities Fund is a proprietary fund which accounts for activities of the government's waste water and water system.

Additionally, the government reports the following fund types:

The Agency Funds account for assets held by the Township acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Long-Term Obligations** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Presently the Township has no long-term obligations.
7. **Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of December of each year, the Township Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board of Trustees.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

B. Excess of Expenditures Over Appropriations in Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2007, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Trustee Board	\$ 40,565	\$ 43,205	\$ 2,640
Supervisor	19,732	20,111	379
Treasurer	25,232	25,846	614
Clerk	22,761	23,103	342
Public Works:			
Sanitation	18,000	19,639	1,639
Drains	34,600	37,748	3,148
Fire	---	992	992
Police	---	1,700	1,700
Capital Outlay:	1,000	10,804	9,804
Other Functions:			
Other	---	3,716	3,716
Transfer Out	---	60,000	60,000
Insurance	94,764	112,163	17,399

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking, Savings and Certificate of Deposits	\$300,000	\$4,082,648	\$ ---	\$4,382,648	\$4,382,648
	<u>\$300,000</u>	<u>\$4,082,648</u>	<u>\$ ---</u>	<u>\$4,382,648</u>	<u>\$4,382,648</u>

Balance Sheet Cash And Cash Investments

The Township's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC) (FSLIC)	\$ 300,000
Uninsured:	
Uncollateralized	<u>4,082,648</u>
Total	<u>\$4,382,648</u>

The above amounts include trust and Agency Funds of \$951,536.

Deposits Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2007 \$4,082,648 of the Township's \$4,382,648 was exposed to custodial credit risk as follows:

Uninsured and Collateralized	<u>\$4,082,648</u>
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ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

Investment Custodial Credit Risk

The Township has all of its investment in money market and certificate of deposits, thus not subject to investment credit risk.

Concentration of Credit Risk

The Township places no limit on the amount they may invest in one issue. 100% of their investments at December 31, 2007 are in savings accounts, money market accounts and certificate of deposits.

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Asset:

Cash and Cash Equivalents	<u>\$3,431,112</u>
	<u>3,431,112</u>

Statement of Fiduciary Net Asset:

Agency Funds:	
Cash and Cash Equivalents	<u>951,536</u>
	<u>951,136</u>
	<u>\$4,382,648</u>

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Decreases</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 36,593	\$ ---	\$ ---	\$ 36,593
Total Capital Assets Not Being Depreciated	36,593	---	---	36,593
Capital Assets, Being Depreciated:				
Buildings	300,645	74,329	---	374,974
Vehicles	852,540	47,424	---	899,964
Equipment	225,682	13,223	(63,000)	175,905
Total Capital Assets Being Depreciated	1,378,867	134,976	(63,000)	1,450,843
Less Accumulated Depreciation For:				
Buildings	(71,403)	(8,724)	---	(80,127)
Vehicles	(394,708)	(54,165)	(53,250)	(395,623)
Equipment	(33,319)	(15,527)	---	(48,846)
Total Accumulated Depreciation	(499,430)	(78,416)	(53,250)	(524,596)
Total Capital Assets, Being Depreciated, Net	879,437	56,560	(9,750)	926,247
Governmental Activities Capital Assets, Net	\$ 916,030	\$ 56,560	\$ (9,750)	\$ 962,840
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 96,099	\$ ---	\$ ---	\$ 96,099
Total Capital Assets Not Being Depreciated	96,099	---	---	96,099
Capital Assets, Being Depreciated:				
Sewer and Water System	12,458,018	59,668	---	12,517,686
Total Capital Assets Being Depreciated	12,458,018	59,668	---	12,517,686
Less Accumulated Depreciation For:				
Sewer and Water System	(6,331,422)	(247,910)	---	(6,579,332)
Total Accumulated Depreciation	(6,331,422)	(247,910)	---	(6,579,332)
Total Capital Assets, Being Depreciated, Net	6,126,596	(188,242)	---	5,938,354
Business-Type Activities Capital Assets, Net	\$ 6,222,695	\$ (188,242)	\$ ---	\$ 6,034,453

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental Activities:

General Government	\$ 2,473
Public Safety	75,571
Parks and Recreation	30
Public Works	<u>342</u>

Total Depreciation Expense	
Governmental Activities	<u>\$ 78,416</u>

Business-Type Activities:

Utilities	<u>\$247,910</u>
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Total Depreciation Expense	
Business-Type Activities	<u>\$247,910</u>

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At December 31, 2007, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund</u> <u>Receivables</u>	<u>interfund</u> <u>Payables</u>
General	\$298,566	\$ 75,700
Fire	47,601	92,585
Police	52,409	47,723
Street Lights	6,330	8,882
Agency Funds	---	220,531
Utilities	<u>40,712</u>	<u>197</u>
Total	<u>\$445,618</u>	<u>\$445,618</u>

These monies represent loans or receivables between the funds of the Township, which are anticipated to be repaid within one year.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

NOTE 6 – TRANSFERS BETWEEN FUNDS

At December 31, 2007, the following transfers were made between funds:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ ---	\$60,000
Police	<u>60,000</u>	<u>---</u>
Total	<u>\$60,000</u>	<u>\$60,000</u>

Transfers represent monies appropriated to other funds for operating purposes.

NOTE 7 – PROPERTY TAXES

The Township bills and collects property taxes and also taxes for the County and several School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund. Township property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

The Township currently levies 1.7526 mills. Property taxes attach as an enforceable lien on the property as of January 1.

ADRIAN TOWNSHIP
Notes to Financial Statements
December 31, 2007

NOTE 8 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

ADRIAN TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$ ---	\$ ---	\$ 943,066	\$ 943,066
<u>Resources (Inflows)</u>				
Taxes and Assessments	209,959	199,011	202,371	3,360
Intergovernmental	380,000	400,000	322,740	(77,260)
Licenses and Permits	81,600	86,600	45,751	(40,849)
Charges for Services	39,436	50,000	53,276	3,276
Interest and Rentals	30,000	21,000	33,862	12,862
Other	2,000	1,000	6,245	5,245
Franchise Fee	56,000	44,000	80,716	36,716
Metro Right of Way	5,000	9,000	4,874	(4,126)
<u>Amounts Available for Appropriation</u>	<u>803,995</u>	<u>810,611</u>	<u>1,692,901</u>	<u>882,290</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>General Government</u>				
Trustee Board	30,408	40,565	43,205	(2,640)
Supervisor	19,732	19,732	20,111	(379)
Treasurer	25,232	25,232	25,846	(614)
Assessing	36,800	37,300	31,938	5,362
Clerk	22,761	22,761	23,103	(342)
Elections	12,044	9,560	7,312	2,248
Professional Fees	31,600	36,400	18,640	17,760
Cemetery	12,000	12,000	11,164	836
Board of Appeals	638	638	---	638
Board of Review	1,715	1,715	1,126	589
Township Hall	19,820	20,226	18,139	2,087
<u>Public Safety</u>				
Inspections	61,812	66,820	49,191	17,629
Fire	1,500	---	992	(992)
Police	1,000	---	1,700	(1,700)
<u>Community Economic Development</u>				
Planning and Zoning	4,719	4,619	6,804	(2,185)
<u>Public Works</u>				
Road and Maintenance	272,000	166,686	118,900	47,786
Sanitation	28,000	18,000	19,639	(1,639)
Drains	35,000	34,600	37,748	(3,148)
<u>Capital Outlay</u>	<u>2,000</u>	<u>1,000</u>	<u>10,804</u>	<u>(9,804)</u>
<u>Other Functions</u>				
Insurance	122,136	94,764	112,163	(17,399)
Other	3,500	---	3,716	(3,716)
<u>Transfer Out</u>	<u>---</u>	<u>---</u>	<u>60,000</u>	<u>(60,000)</u>
<u>Total Charges to Appropriations</u>	<u>744,417</u>	<u>612,618</u>	<u>622,241</u>	<u>(9,623)</u>
<u>Ending of Year Fund Balance</u>	<u>\$ 59,578</u>	<u>\$197,993</u>	<u>\$1,070,660</u>	<u>\$ 872,667</u>

The notes to financial statements are an integral part of this statement.

ADRIAN TOWNSHIP
Budgetary Comparison Schedule
Fire Fund (Major Special Revenue Funds)
For The Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$119,702	\$119,702	\$119,702	\$ ---
<u>Resources (Inflows)</u>				
Taxes	107,851	100,020	110,129	10,109
Interest/Penalties	2,300	1,500	2,389	889
Contracted Services	50,000	63,000	59,776	(3,224)
Grants	---	---	20	20
Contributions	---	---	500	500
Miscellaneous	---	---	6,527	6,527
<u>Amounts Available for Appropriations</u>	<u>279,853</u>	<u>284,222</u>	<u>299,043</u>	<u>14,821</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>Public Safety</u>				
Salaries and Wages	85,000	99,724	81,231	18,493
Fringe Benefits	6,503	7,629	6,290	1,339
Operating Supplies	22,000	24,000	18,945	5,055
Professional Services	2,000	3,000	200	2,800
Gas and Oil	5,000	4,500	5,464	(964)
Utilities	8,355	9,855	6,460	3,395
Repairs and Maintenance	16,300	16,800	11,064	5,736
Insurance	---	26,000	6,931	19,069
Dues and Publications	2,400	2,400	2,805	(405)
Physicals/Training	17,500	13,000	12,983	17
Telephone	5,000	5,000	4,464	536
Other	500	800	25	775
Capital Outlay	6,000	46,000	74,234	(28,234)
ALS - Fee Madison	23,000	23,000	41,090	(18,090)
<u>Total Charges to Appropriations</u>	<u>199,558</u>	<u>281,708</u>	<u>272,186</u>	<u>9,522</u>
<u>Ending of Year Fund Balance</u>	<u>\$ 80,295</u>	<u>\$ 2,514</u>	<u>\$ 26,857</u>	<u>\$ 24,343</u>

ADRIAN TOWNSHIP
Budgetary Comparison Schedule
Police Fund (Major Special Revenue Funds)
For The Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$ 69,078	\$ 69,078	\$ 69,078	\$ ---
<u>Resources (Inflows)</u>				
Intergovernmental	---	---	1,351	1,351
Taxes	109,154	105,155	112,202	7,047
Interest	1,200	1,700	987	(713)
Charges for Services	200	---	307	307
Fines & Forfeitures	17,000	11,000	18,866	7,866
Miscellaneous	---	---	2,930	2,930
Grants	---	500	891	391
Transfers In	---	---	60,000	60,000
<u>Amounts Available for Appropriation</u>	<u>196,632</u>	<u>187,433</u>	<u>266,612</u>	<u>79,179</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>Public Safety</u>				
Salaries and Wages	91,832	98,580	95,676	2,904
Fringe Benefits	3,812	19,852	9,713	10,139
Operating Supplies	3,700	3,000	4,994	(1,994)
Professional Services	15,000	15,000	11,345	3,655
Gas and Oil	7,000	6,000	6,808	(808)
Telephone	4,000	4,000	3,332	668
Utilities	4,234	4,234	2,821	1,413
Repairs and Maintenance	4,300	9,400	6,929	2,471
Dues and Publications	500	500	---	500
Physicals/Training	2,000	1,500	1,147	353
Education	1,000	1,000	877	123
Other	1,850	1,950	1,161	789
Capital Outlay	5,000	34,143	49,938	(15,795)
<u>Total Charges to Appropriations</u>	<u>144,228</u>	<u>199,159</u>	<u>194,741</u>	<u>4,418</u>
<u>Ending of Year Fund Balance (Deficit)</u>	<u>\$ 52,404</u>	<u>\$ (11,726)</u>	<u>\$ 71,871</u>	<u>\$ 83,597</u>

The notes to financial statements are an integral part of this statement.

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ADRIAN TOWNSHIP
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2007

	Special Revenue <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
	Street Lights <u>Fund</u>	
<u>Assets</u>		
Cash	\$ 4,345	\$ 4,345
Receivables:		
Taxes	7,086	7,086
Due from Other Funds	<u>6,330</u>	<u>6,330</u>
Total Assets	<u>\$17,761</u>	<u>\$17,761</u>
 <u>Liabilities and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 2,568	\$ 2,568
Due to Other Funds	<u>8,882</u>	<u>8,882</u>
Total Liabilities	<u>11,450</u>	<u>11,450</u>
 <u>Fund Balance</u>	<u>6,311</u>	<u>6,311</u>
 Total Liabilities And Fund Balances	<u>\$17,761</u>	<u>\$17,761</u>

The notes to financial statements are an integral part of this statement.

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ADRIAN TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For The Year Ended December 31, 2007

	Special Revenue Fund	Total Non-Major Governmental Funds
	Street Lights Fund	
<u>Revenues:</u>		
Taxes and Assessments	\$15,518	\$15,518
Contributions	---	---
Interest and Rents	146	146
Other	---	---
Total Revenue	<u>15,664</u>	<u>15,664</u>
<u>Expenditures:</u>		
Public Safety	---	---
General Government	---	---
Public Works	16,994	16,994
Capital Outlay	---	---
Total Expenditures	<u>16,994</u>	<u>16,994</u>
<u>Excess of Revenues Over (Under Expenditures)</u>	(1,330)	(1,330)
<u>Other Financing Sources:</u>		
Transfers In	---	---
Transfers Out	---	---
Total Other Financing Sources	<u>---</u>	<u>---</u>
<u>Net Change in Fund Balances</u>	(1,330)	(1,330)
<u>Beginning Fund Balance</u>	<u>7,641</u>	<u>7,641</u>
<u>Ending Fund Balance</u>	<u>\$ 6,311</u>	<u>\$ 6,311</u>

The notes to financial statements are an integral part of this statement.

PHILIP R. RUBLEY

— Certified Public Accountant —

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

June 18, 2008

**Township Board
Adrian Township
Lenawee County
2907 Tipton Hwy.
Adrian, Michigan 49221**

We have examined the financial statements of Adrian Township, Michigan as of and for the year ended December 31, 2007 and have issued our report thereon dated June 18, 2008. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended December 31, 2007, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Statement on Auditing Standards Pronouncement 112 requires us as auditors to communicate what we determine to be significant deficiencies and material weaknesses to management and those charged with governance in regards to internal control matters.

A significant deficiency is a control deficiency or combination of control deficiencies that creates the remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected.

Based on the criteria we have the following comments:

1. **INTERFUND TRANSACTIONS**

It is imperative that all interfund advances, etc. due to and due from balance between funds and are tied out monthly in the general ledger.

2. **BANK RECONCILIATIONS**

Bank reconciliation are being prepared timely and monthly but not always tied into general ledger balances, causing balances to be different because of missed transactions or other items. This has improved since the prior year.

OTHER MATTERS FOR CONSIDERATION

These comments are not significant deficiencies but are suggestions to improve your existing accounting and control systems.

1. **BUDGET**

Be sure any category budget changes are documented in minutes and revised budget report for your amended final budget for the year. This has improved since the prior year.

2. **FIXED ASSETS - CAPITAL**

It will be necessary for the Township to establish and maintain records for acquisition and disposal of the Township's depreciation threshold of \$1500.

3. **INTERFUND PAYABLES AND RECEIVABLES**

This interfund payable and receivables should be cleared out from prior years.

4. **CUSTODIAL RISK**

The Township has a custodial risk in regards to deposits with bank institutions (as explained in Note 3 of the financial statements). Consider moving funds to another bank to increase FDIC Insurance and reduce some custodial risk.

5. **RECONCILIATION OF GENERAL LEDGER**

The Clerk and Treasurer should meet to tie in general ledger balances with bank reconciliations.

6. **PRIOR YEAR AUDIT ADJUSTMENTS**

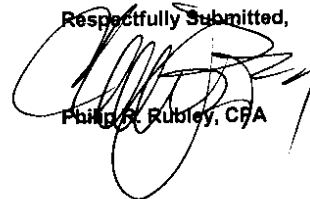
Prior year audit adjustments should be booked to reflect prior fund balances and net assets to the next year.

Adrian Township
June 18, 2008
Page 3

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated June 18, 2008, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Philip R. Rubley", is written over the printed name. The signature is stylized with a large, looping initial "P".

Philip R. Rubley, CPA

PRR/cab